July 2025

osaic

MARKET VIEW MONTHLY

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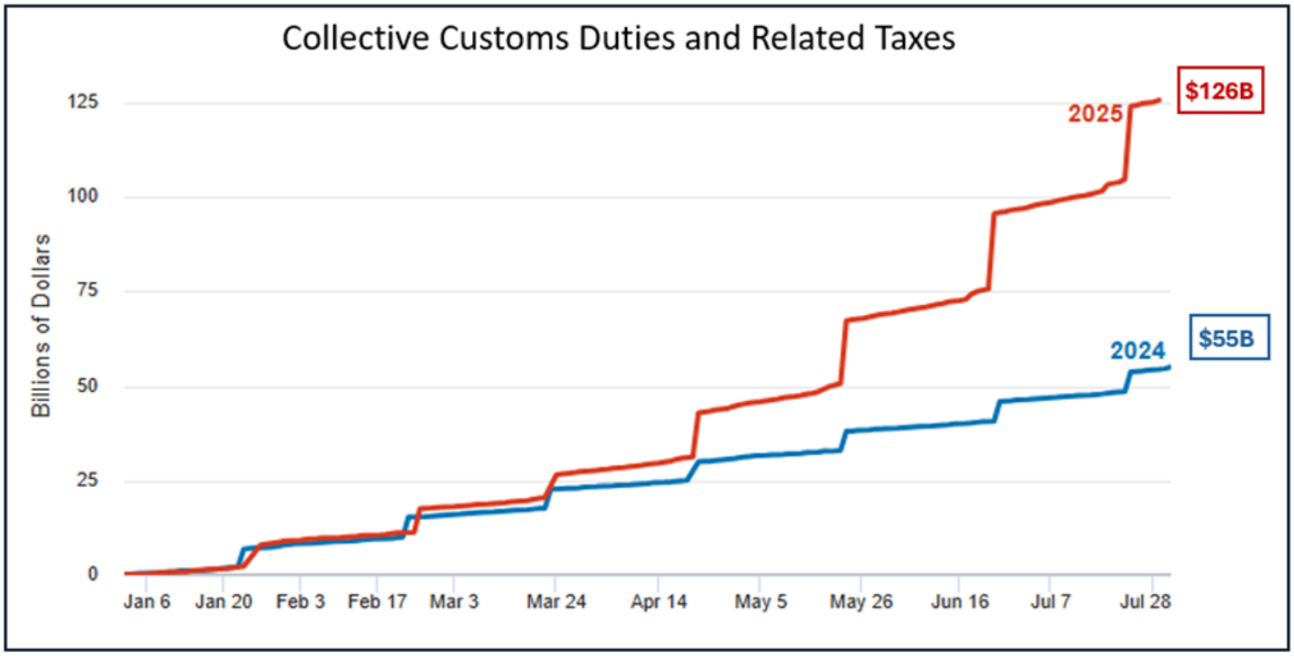
ECONOMIC REVIEW[1]

- The Institute for Supply Management's (ISM) services index, a key indicator of economic expansion or contraction, showed improvement in June, increasing above expectations and the previous month's reading from 49.9 to 50.8. A reading above 50 represents expansion, while a reading below 50 indicates contraction.
  - New orders and business activity saw the highest monthly gains, while prices paid decreased.
- The ISM manufacturing index for June rose from the prior month to a reading of 49.0, exceeding expectations, but remained in contraction territory.
- The One Big Beautiful Bill (OBBBA) was signed into law on July 4th, which extended the 2017 tax cuts and introduced new deductions for tips, overtime earnings, and Social Security income.
- Headline Consumer Price Index (CPI) matched expectations month-over-month (MoM) and rose 0.3% in June.
  - Year-over-year (YoY) headline CPI also came in below expectations at 2.7%.
    - Contributing to the higher inflation reading was energy, which rose 0.9% in June.
  - Core CPI, which removes the volatile energy and food categories, came in below expectations, rising 0.2%.
    - Core prices YoY rose to 2.9% and saw a slight increase from May.
- The Producer Price Index (PPI), on a monthly basis, was unchanged. YoY the index was up 2.3%.
  - Core PPI was also unchanged MoM and rose 2.6% over the last year.
- Nonfarm payrolls increased by 147,000 in June, above the 106,000 expected.
  - The unemployment rate declined to 4.1% from the previous month's reading of 4.2% as labor force participation fell.
  - Private sector job growth slowed to 74,000 in June.
  - Job openings declined to 7.44 million – remaining within the 7 to 8 million range since March 2024.
- June retail sales rebounded from May and rose 0.6% MoM and 3.9% YoY, signaling continued consumer strength.
- The Federal Reserve (Fed), as expected, left interest rates unchanged at 4.25-4.50% following the July FOMC meeting.
- The advance reading of real Q2 Gross Domestic Product (GDP) growth was 3.0%, rebounding from Q1.
- Personal Consumption Expenditures Price Index (PCE) came in above expectations at 0.3% MoM and 2.6% YoY.
  - Core PCE increased by 0.3% MoM and came in above expectations, rising 2.8% over the last year.

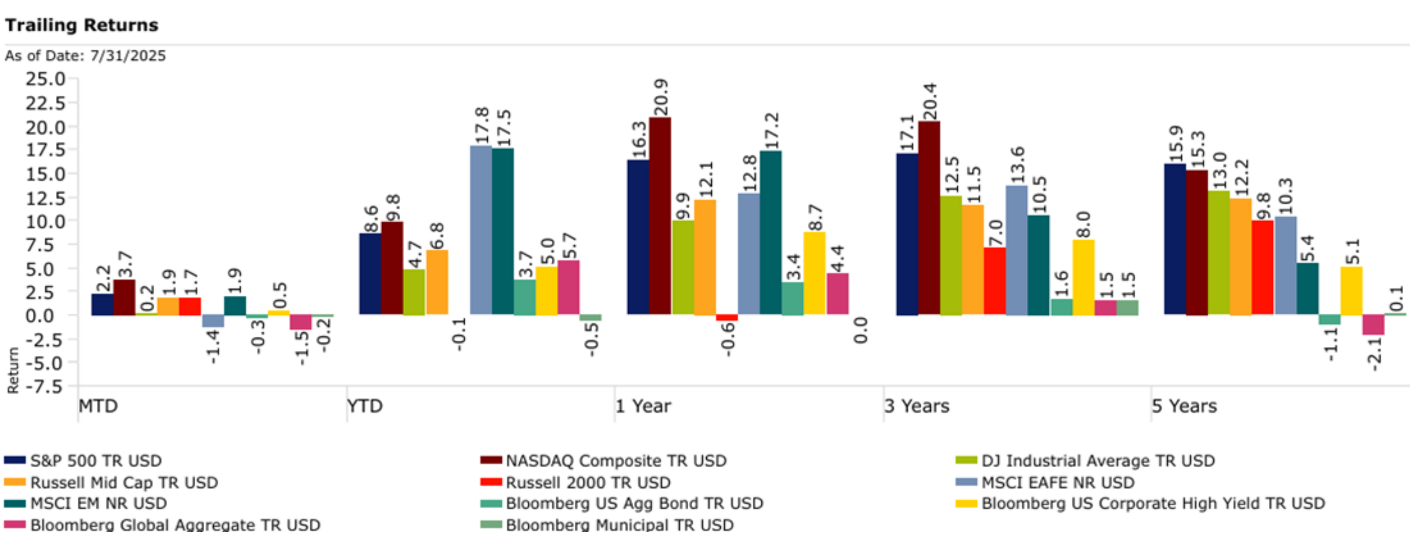
INSIGHT: The U.S. economy showed modest but steady signs of growth in July, supported by a rebound in Q2 GDP, stronger retail sales, and improvement in both the services and manufacturing sectors. While the labor market exceeded headline expectations, underlying data pointed to some softening - private sector job growth slowed, job openings declined, and both quits and firings remained steady, suggesting a gradually cooling labor market. Additionally, inflation data showed a slight pickup in prices, particularly in goods, hinting that tariff-related cost pressures may be starting to trickle down to consumers. However, the passage of the One Big Beautiful Bill Act (OBBBA) and new trade agreements with the E.U., Japan, and South Korea provided additional policy tailwinds, which helped ease uncertainty around tariffs. Overall, the economic data in July pointed to an economy continuing to grow with some signs of underlying softness.

Chart of the Month: Tariff Cash Flow[2]



As of the end of July, the United States has collected $126 billion in net tariff revenue year-to-date, up significantly from $55 billion during the same period last year. This represents an increase of $71 billion, or 129%. The revenue generated from tariffs this year already exceeds the annualized average of $100 billion over the previous four years. This figure is expected to rise further as new trade agreements were established in July with the E.U., Japan, and South Korea. Meanwhile, countries that have not reached deals face significantly higher tariff rates going forward. While these tariffs are generating significant revenue for the government and realigning global trade relationships, they present a delicate challenge: maintaining this momentum without triggering long-term consumer price inflation or weighing on earnings and economic growth.

MARKET UPDATE[3]



Investments (as of 7/31/2025)	MTD	YTD	1 YR	3 YR	5 YR	P/E Ratio	P/B Ratio
	Trailing Returns					Equity Evaluations	
S&P 500	2.24%	8.59%	16.33%	17.10%	15.88%	26.71	4.89
NASDAQ	3.72%	9.79%	20.86%	20.40%	15.34%	31.21	6.74
Dow Jones Industrial Average	0.16%	4.72%	9.95%	12.55%	13.00%	22.82	4.99
Russell Mid-Cap	1.86%	6.78%	12.06%	11.48%	12.24%	22.01	2.83
Russell 2000 (Small Cap)	1.73%	-0.08%	-0.55%	7.03%	9.81%	17.46	1.83
MSCI EAFE (International)	-1.40%	17.77%	12.77%	13.57%	10.34%	17.19	1.91
MSCI Emerging Markets	1.95%	17.51%	17.18%	10.50%	5.40%	14.23	1.84
Bloomberg Barclays US Agg Bond	-0.26%	3.75%	3.38%	1.64%	-1.07%	—	—
Bloomberg Barclays High Yield Corp.	0.45%	5.04%	8.67%	8.01%	5.09%	—	—
Bloomberg Barclays Global Agg	-1.49%	5.67%	4.40%	1.52%	-2.07%	—	—
Bloomberg Barclays Municipal	-0.20%	-0.55%	0.00%	1.54%	0.13%	—	—

MARKET REVIEW

Equities

- Domestic equity markets continued to climb higher in July amid a sustained risk-on environment. The S&P 500 and Nasdaq reached new all-time highs, while the Dow Jones approached record levels. Contributing to the market strength were stronger-than-expected economic data, the passage of the One Big Beautiful Bill Act (OBBBA), finalized trade agreements with several key countries, and corporate earnings that surpassed low expectations. Within the S&P 500, Consumer Staples and Health Care sectors were the most significant laggards as momentum remained a key driver in July, with much of the rally led by the "Mag-7" mega-cap names. Small and mid-cap stocks also posted gains, supported by tariff outcomes that came in below worst-case projections. Additionally, a stronger U.S. dollar helped domestic equities outperform their international developed market counterparts during the month.

Fixed Income

- U.S. fixed income markets delivered mixed results in July, as interest rates edged slightly higher across the yield curve and investor sentiment tilted more toward risk assets. The U.S. Bloomberg Barclays Agg was slightly negative, while the less interest-rate-sensitive high yield index rose as credit spreads continued to tighten to near-record lows. Municipal bonds remained under pressure, challenged by elevated supply earlier in the year and a steepening municipal yield curve that contributed to rising rates. At its most recent FOMC meeting, the Federal Reserve kept interest rates unchanged, as anticipated, maintaining the 4.25% to 4.50% target range, reiterating a more cautious and data-dependent approach, despite two Fed governors dissenting. Quality fixed income remains well-positioned in diversified portfolios, offering stability and attractive starting yields, particularly as economic growth holds steady and inflation remains near target.

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Producer Prices – PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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[1] Data obtained from Bloomberg Terminal as of 7/31/2025.
[2] Real-Time Federal Budget Tracker — Penn Wharton Budget Model
[3] Returns obtained from Morningstar Direct as of 7/31/2025.